

Section G

Cigarette Tax

BASIC PROVISIONS AND TAX BASE OF THE NEBRASKA TAX LAWS

The Nebraska cigarette tax is a special privilege tax paid by every person engaged in distributing or selling cigarettes at wholesale in this state. Each wholesale dealer who receives an annual Nebraska Wholesale Cigarette Dealer's License must pay an application fee of \$500, which is placed in the State General Fund. On packages containing twenty or fewer cigarettes, a tax of 64 cents per package is paid. On packages containing more than twenty cigarettes, a tax of 64 cents for the first twenty cigarettes plus a tax of 1/20 of 64 cents on each cigarette in excess of twenty cigarettes is paid, in addition to all other taxes. A tax stamp is placed on each package of cigarettes as proof of cigarette tax paid.

The Nebraska cigarette tax distribution can be found on the Department of Revenue Web site at www.revenue.ne.gov under Research Reports. The Nebraska Tax Rate Chronologies are updated quarterly.

CIGARETTE TAX

Statutory Reference and Description	Estimated Tax Expenditure Cost NA = Not Available
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EXEMPTIONS

Section 77-2607

The portion of the wholesale dealer's stock of cigarettes which is not intended to be sold or given away in this state is exempt from the tax, unless the stock is not out of the dealer's possession within 30 days of receipt.

NA

4 USC 107

Federal law prohibits state taxation of cigarettes sold to the U.S. government or one of its agencies.

\$1,287,400

DEDUCTION

Section 77-2608

The State Tax Commissioner shall sell the tax stamps only to licensed wholesale dealers. The sale of stamps to wholesale dealers in this state or outside of this state is authorized at a discount of one and eighty-five hundredths percent of such face value of the tax as a commission for affixing and canceling such stamps.

\$1,035,850

CREDITS

Section 77-2610

Any unused or spoiled stamps are redeemed by the State Tax Commissioner and a refund is made in the amount of the stamps less the commission for affixing the stamps.

\$274,300

4 USC 109, et al

Federal statutes and treaties prohibit state taxation of cigarettes sold to Native American Indians on federal Indian reservation land within Nebraska. A credit is allowed by the state to cigarette wholesalers for the amount of tax credited by them to their retailer customers who make exempt sales of cigarettes to Native American Indians.

\$133,600

(State taxation prohibited)

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.